

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

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**September 9, 2003**  
*Continued from August 26, 2003*

**FROM:**       **MARCEL TURNER**, Director  
                  Human Resources

**SUBJECT:   ADOPTION OF 3% AT AGE 50 ENHANCED RETIREMENT FORMULA FOR  
              SAFETY AND SAFETY EXEMPT EMPLOYEES; APPROVAL OF  
              REPLACEMENT BENEFITS PLAN**

**RECOMMENDATIONS:**

1. Adopt a Resolution making Government Code section 31664.1 operable for safety members of the San Bernardino County Employees Retirement Association (SBCERA).
2. Adopt a Resolution making the retirement formula contained in Government Code section 31664.1 applicable to all prior safety service credit for designated employee groups of the County of San Bernardino.
3. Read title only of a proposed ordinance regarding compensation of safety exempt employees; waive reading of entire text, and continue to Tuesday, September 16, 2003 for adoption.
4. Approve the San Bernardino County Replacement Benefits Plan (the "Plan") and authorize the County Administrative Officer to execute the Plan.
5. Delegate the administration of the Plan to the Director of Human Resources.
6. Approve a Memorandum of Understanding (MOU) with the San Bernardino County Employees Retirement Association (SBCERA) regarding the Plan, and authorize the County Administrative Officer to execute the MOU.
7. Approve standard form of Memorandum of Understanding (MOU); authorize the County Administrative Officer to enter into MOU with any district that participates with SBCERA and that takes actions as required under the Plan to participate therein.

**BACKGROUND INFORMATION:** On July 21, 2003 the trial court in San Francisco approved settlement of the consolidated Retirement Case for San Bernardino County. The approved settlement requires the Board of Supervisors to take actions necessary to implement the enhanced retirement formula of 3% at age 50 for safety employees. Those actions include the following actions: 1) adopt a resolution approving the 3% at age 50 formula for all active safety members of SBCERA; 2) adopt a resolution making the new formula effective retroactively, for those bargaining units within the County that have negotiated retroactivity. In addition, the proposed salary ordinance amendment would implement the same retirement formula, under the same terms and conditions for safety employees in the exempt group.

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**BOARD OF SUPERVISORS****ADOPTION OF 3% AT AGE 50 ENHANCED RETIREMENT FORMULA FOR SAFETY AND SAFETY EXEMPT EMPLOYEES; APPROVAL OF REPLACEMENT BENEFITS PLAN**

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Internal Revenue Code (IRC) sections 401(a)(17) and 415 limit the retirement benefits a retiree may receive from the County's retirement plan. These limitations affect prospective retirees who became members of the County's retirement system on or after January 1, 1990, and those members who were members of the retirement system prior to January 1, 1990 who have a plan change affect their formula calculation. These limitations may operate to reduce or restrict retirement benefits otherwise payable under state law (County Employees Retirement Law of 1937). To date, County employees and retirees have not been impacted by the current limits; however, it is anticipated that such limits will impact some safety employees in the near future as a result of implementation of the enhanced 3% at age 50 formula. Approval of the Replacement Benefits Plan would restore the retirement benefits to the level in state law if the limits were not applicable. The cost of the Replacement Benefits Plan will be offset dollar for dollar from a reduction of the contributions made by the County into the Retirement System.

**REVIEW BY OTHERS:** The proposed actions and the related legal documents have been reviewed and approved as to legal form by County Counsel (Ruth Stringer, Chief Deputy County Counsel) on August 14, 2003 and has been reviewed by the County Administrative Office (Daniel R. Kopp, Administrative Analyst) on August 19, 2003.

**FINANCIAL IMPACT:** The increases in compensation for the Exempt Group will result in an additional cost of \$78,000 for the remainder of 2003-04 (local cost, \$50,000); \$434,000 for 2004-05 (local cost, \$276,000); and \$577,000 (local cost, \$366,000) beginning in 2005-06.

Based upon anticipated retirements among employees impacted by the 415 limits, it is anticipated that approximately \$81,000 will be paid under the Replacement Benefit Plan for 2004-05. This cost will be recovered dollar for dollar with a reduction to the County's contributions to the retirement system.

**COST REDUCTION REVIEW:** The County Administrative Office has reviewed this agenda item, concurs with the department's proposal, and recommends this action based on the need to pay benefits which have been earned and are payable to members of SBCERA.

**SUPERVISORIAL DISTRICTS:** All

**PRESENTER:** Marcel Turner, Director of Human Resources, 387-5570.

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